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**AFTER *MCM*, A SECOND LOOK: ARTICLE I INVALIDATION OF
ISSUED PATENTS FOR INTELLECTUAL PROPERTY STILL LIKELY
UNCONSTITUTIONAL AFTER *STERN V. MARSHALL***

Michael I. Rothwell*

INTRODUCTION	2
I. <i>McCORMICK</i> WAS DECIDED ON CONSTITUTIONAL GROUNDS ..	2
<i>A. The McCormick Court Evaluates Patent Reissue Procedure.....</i>	<i>5</i>
<i>B. The Express Language of the McCormick Decision.....</i>	<i>6</i>
<i>C. Review of McCormick’s Cited Constitutional Authority ..</i>	<i>8</i>
<i>D. A Historical Review of Interference Proceedings Does Not Compel a Different Result.....</i>	<i>18</i>
II. LITIGANTS AND LOWER COURTS MISCHARACTERIZE THE SUPREME COURT’S PUBLIC RIGHTS RULE OF LAW	23
<i>A. The Public Rights Exception: Murray’s Lessee</i>	<i>24</i>
<i>B. The Historical Narrative: Federal Circuit Case Law</i>	<i>27</i>
<i>C. Judge Nies’ Lockwood Dissent: Important for What It Says, but Also for What It Doesn’t.....</i>	<i>29</i>
<i>D. The Historical Narrative: Patent Scholarship.....</i>	<i>31</i>
<i>E. A Brief Review of the Supreme Court’s Public Rights Case Law</i>	<i>33</i>
<i>F. Unconstitutionality of Article I Patent Revocation, and How to Correct</i>	<i>37</i>
III. THE STAKES COULDN’T BE HIGHER	38

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INTRODUCTION

In March 2012, “Patents and Public Rights: The Questionable Constitutionality of Patents before Article I Tribunals After *Stern v. Marshall*”¹ published in the North Carolina Journal of Law and Technology. Since the article’s publication, its arguments, or permutations of its arguments, have been incorporated into various challenges to the constitutionality of the Article I USPTO’s patent invalidation power. A number of these challenges remain pending today.²

This article addresses several common counterarguments raised in opposition to the constitutional challenges. In this regard, it is intended as a reply, and argues:

- I. *McCormick* Was Decided on Constitutional Grounds;
- II. Litigants and Lower Courts Mischaracterize the Supreme Court’s Public Rights Rule of Law;
- III. The Stakes Couldn’t Be Higher.

I. *MCCORMICK* WAS DECIDED ON CONSTITUTIONAL GROUNDS

The Supreme Court’s 1898 *McCormick* decision features prominently in the various challenges to the USPTO’s constitutional authority to invalidate issued patents for intellectual property.³ Given that *McCormick* held that the revocation of *issued*

¹ 13 N.C. J.L. & TECH. 287 (2012).

² By way of background, *Cooper v. Lee*, 137 S. Ct. 291 (2016), and *MCM Portfolio LLC v. Hewlett-Packard Co.*, 137 S. Ct. 292 (2016), were re-listed by the Court after end-of-summer conference before eventual denial; a brief-in-opposition was requested in *Cooper v. Square, Inc.*, 137 S. Ct. 475 (2016), before denial; in *Oil States Energy Services, LLC, v. Greene’s Energy Group, LLC*, No. 16-712 (U.S. cert petition filed Nov. 29, 2016), the Court recently directed the USPTO to submit its otherwise-waived response—*cert* conference remains unscheduled; *Cascades Projection LLC v. Epson America, Inc.*, No. 17-517 (Fed. Cir. filed Jan. 13, 2015) and *Security People, Inc. v. Lee*, No. 16-2378 (Fed. Cir. filed July 8, 2015), submitted to the Federal Circuit petitions for hearing *en banc*—in both instances, the Federal Circuit recently requested opposition briefs. Importantly, the complete Supreme Court (i.e., nine Justices) has yet to consider the constitutional question (*cert* stage).

³ See, e.g., *Cooper v. Lee*, 137 S. Ct. 291 (2016); *Cooper v. Square, Inc.*, 137 S. Ct. 475 (2016); *MCM*, 137 S. Ct. 292; *Oil States* (No. 16-712); *Cascades*

patents by the Article I Patent Office constitutes “an invasion of the judicial branch of the government by the executive,”⁴ its inclusion is not surprising. What is surprising, however—the express language of *McCormick* aside—is that the Federal Circuit held in its precedential December 2, 2015 *MCM* decision that *McCormick* was decided on statutory (as opposed to constitutional) grounds.⁵

In practical terms, this means that the USPTO’s adjudicatory authority over issued patents is a mere question of statutory convenience per the executive and legislative branches. Thus, should the executive and legislative branches determine that *issued* patent invalidity is better resolved in a “one-stop shop” Article I solution, the matter is a question of statutory authorization and little more.

To be fair, this conclusion is the necessary and correct result stemming from the Federal Circuit’s holding that patent invalidity is a “public right.”⁶ Definitionally, “public rights” are administrative claims belonging to the executive and legislative branches of government. Those branches may invite the judiciary’s participation, but are under no obligation to do so. “Private rights,” conversely, are claims protected under the Constitution, and constitute the core of the Article III judicial power.

In this regard, the interpretation of *McCormick* necessarily decides the underlying private right versus public right question. *McCormick* was decided some forty-two years after *Murray’s Lessee* (discussed *infra*), and any conclusion that a particular claim

Projection (No. 17-1517); *Security People* (No. 16-2378); *In re Depomed, Inc.*, No. 16-1378, 2017 WL 676604 (Fed. Cir. Feb. 21, 2017).

⁴ *McCormick Harvesting Mach. Co. v. C. Aultman Co.*, 169 U.S. 606, 612 (1898).

⁵ *MCM Portfolio LLC v. Hewlett Packard Co.*, 812 F.3d 1284, 1289 (Fed. Cir. 2015). See also Reilly, *The Constitutionality of Administrative Patent Cancellation*, 23 B.U. J. SCL. & TECH. L.J. (Apr. 3, 2017, v. 5) (forthcoming 2017) (evaluating favorably the Federal Circuit’s conclusion that *McCormick* was decided on statutory grounds).

⁶ See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985), *modified on reh’g*, 771 F.2d 480 (Fed. Cir. 1985); *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992); *MCM*, 812 F.3d 1284.

does or does not have a constitutional guarantee also implicitly clarifies the underlying private right–public right dichotomy. Where a private right is guaranteed Article III resolution, where a public right may be resolved before an Article I administrator, with *optional* (per Congress) Article III supervision, a decision committing resolution of the claim to an Article I or Article III court clarifies the private right–public right determination.

The interpretation of *McCormick* is thus very important, and the Federal Circuit recognized as much in *MCM*. Nonetheless, *MCM* marks the first time since *McCormick*’s publication in 1898 that a federal court has identified it as ruling on statutory, and not constitutional, grounds.⁷ Curiously, the Federal Circuit in *MCM* declined to address, or even acknowledge, its own prior conclusion in *Patlex* that *McCormick* was decided on constitutional grounds. As the Federal Circuit itself identified in *MCM*, however, *Patlex* binds it absent *en banc* intervention, and thus presumably discarded *Patlex*’s holding regarding *McCormick* as *dictum*. Given that *Patlex* sought to resolve the potential unconstitutionality of *ex parte* reexamination, a determination that *Patlex*’s review of *McCormick* is *dictum* unworthy of mention in a parallel case reviewing the potential unconstitutionality of *inter partes* review is peculiar.

It is argued that the language of *McCormick* is, at best, ambiguous. To the contrary, the language of *McCormick* is, on its face, clear, and in any event, the *McCormick* case was not decided in a vacuum. Instead, the decision represents the culmination of nearly three decades’ worth of Supreme Court decisional authority establishing the constitutional rights inherent to *all* patent owners, both in the land and intellectual property contexts. The *McCormick* decision is thus replete with citations and pin citations to the Court’s own authority. It is from these *constitutional* cases that the *McCormick* holding is derived.

⁷ Consider, for example, recent commentary from Judge Robinson (D. Del.) noting “the national implications of patent litigation—*constitutional* rights reviewed first by a federal agency and ultimately by a national, not regional, court of appeals . . .” *Godo Kaisha IP Bridge 1 v. OmniVision Technologies, Inc.*, No. 1:16-CV-00290-SLR (D. Del. Apr. 22, 2016) (emphasis added).

Assuming *arguendo* that the unequivocal language of the *McCormick* decision is ambiguous, any interpretation is defined by the authority from which the *McCormick* holding is derived. As the review below will demonstrate, the Supreme Court cases relied upon in the *McCormick* decision are unmistakably constitutional, and thus any conclusion that *McCormick* was decided statutorily and not constitutionally is not merely improbable, but impossible.

A. The McCormick Court Evaluates Patent Reissue Procedure

Reissue procedure at the time of the *McCormick* decision allowed a patentee to submit his patent for reissue under limited circumstances. Importantly, it was the patentee who voluntarily initiated the reissue process. For example, if the patentee discerned “any error [in, e.g., the specification] which may have been found to have arisen from his inadvertence or mistake,” then that patentee could pursue a “reissue” of the original patent correcting the identified problems.⁸ A patent examiner then reviewed the reissue application and could cancel claims from the original patent (but not *in* the original patent) as a precondition to “reissuing” the amended patent.

Pursuant to this procedure, once initiated, the patentee submitted his patent to the Patent Office, which then retained physical custody over the patent. Once the “new” patent was ready for reissue, the patentee then *voluntarily* “surrendered” the original patent back to the Patent Office. The “new” patent reissued with its errors corrected.

The question certified for the Supreme Court by the Circuit Court of Appeals for the Sixth Circuit, was what legal effect, if any, the patentee’s refusal to surrender the original patent at the conclusion of the reissue process had where the patent examiner identified a number of claims in the *original* patent as unpatentable. Stated differently, but for the voluntary surrender of the patent by the patentee, could the Patent Office cancel claims from an issued patent for intellectual property during the reissue process?

⁸ *McCormick*, 169 U.S. at 610.

B. The Express Language of the McCormick Decision

The short answer from the Supreme Court was an emphatic “no.”⁹ For an opinion purportedly addressing the statutory authority granted to the Patent Office by Congress, it is peculiar that the statute is hardly mentioned at all. Interestingly, where the statute is discussed, it is for the purpose of identifying the *intent of the patentee* in submitting the application for reissue.¹⁰ Specifically, per the Court “[t]he object of a patentee applying for a reissue is not to reopen the question of the validity of the original patent, but to rectify any error [arising from inadvertence or mistake].”¹¹ This suggests a potential endorsement of consent doctrine—that is, but for voluntary surrender of the patent by the patentee to the Patent Office, the Patent Office lacks constitutional authority to reconsider questions of invalidity.¹²

The language of the statute thus hardly factors in the *McCormick* opinion. It is implausible that a decision devoted to resolving the scope of statutory authority committed to the Patent Office by Congress would largely decline to address the statute, or even identify the relevant section(s) conferring invalidation power.

It is further implausible that in a “statutory” decision the Court would include numerous citations and pin citations to its *constitutional, separation of powers* authority. Consider the following passage from *McCormick*. By its text alone, the opinion is clear:

It has been settled by repeated decisions of this court that when a patent has received the signature of the Secretary of the Interior, countersigned by the Commissioner of Patents, and has affixed to it the seal of the Patent Office, it has passed beyond the control and jurisdiction of that office, and is not subject to be revoked or cancelled by the President, or any other office of Government. It has

⁹ See generally *McCormick*, 169 U.S. 612.

¹⁰ *Id.* at 610.

¹¹ *Id.*

¹² And if the act of voluntary surrender is the revocation, no statutory provision can dictate the intent of the patentee. Under this scenario, the statutory authorization argument is an illogic.

become the property of the patentee, and as such is entitled to the same legal protection as other property. The only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent.¹³

Consider the *McCormick* passage again, now with its cited and pin cited authority italicized for emphasis:

It has been settled by repeated decisions of this court that when a patent has received the signature of the Secretary of the Interior, countersigned by the Commissioner of Patents, and has affixed to it the seal of the Patent Office, it has passed beyond the control and jurisdiction of that office, and is not subject to be revoked or cancelled by the President, or any other office of Government. *United States v. Schurz*, 102 U.S. 378; *United States v. Am. Bell Telephone Co.*, 128 U.S. 315, 363. It has become the property of the patentee, and as such is entitled to the same legal protection as other property. *Seymour v. Osborne*, 11 Wall. 516; *Cammeyer v. Newton*, 94 U.S. 225, *United States v. Palmer*, 128 U.S. 262, 271, citing *James v. Cambell*, 104 U.S. 356. The only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent. *Moore v. Robbins*, 96 U.S. 530, 533; *United States v. Am. Bell Telephone Co.*, 128 U.S. 315, 364; *Michigan Land & Lumber Co. v. Rust*, 168 U.S. 589, 593.¹⁴

To the extent that the cited decisions were resolved on constitutional grounds, it necessarily follows that *McCormick* was resolved on constitutional grounds. There is no alternative interpretation.

¹³ 169 U.S. at 608-09 (emphasis added) (citations omitted).

¹⁴ *Id.*

C. *Review of McCormick's Cited Constitutional Authority*

In order to demonstrate that *McCormick* is constitutional authority, each sentence, and each cited case, from the above passage is evaluated in turn. The passage begins:

It has been settled by repeated decisions of this court that when a patent has received the signature of the Secretary of the Interior, countersigned by the Commissioner of Patents, and has affixed to it the seal of the Patent Office, it has passed beyond the control and jurisdiction of that office, and is not subject to be revoked or cancelled by the President, or any other office of Government. *United States v. Schurz*, 102 U.S. 378; *United States v. Am. Bell Telephone Co.*, 128 U.S. 315, 363.¹⁵

*United States v. Am. Bell*¹⁶ is a highly important case, perhaps just as important if not more so than *McCormick*, and there the Court sought to determine whether the Government had the constitutional authority to pursue a bill in equity for the cancellation of two patents for intellectual property fraudulently obtained. Although the Court held that the Government had the constitutional authority (absent statutory authorization, analogizing to land patents) to pursue relief against the patentee, the Article III courts nonetheless retained the authority to revoke the patents in such a suit. Specifically, the Court differentiated between the “special privileges” issued from the King of England as prerogatives of the Crown, which could be annulled by order of the King, and the property rights inherent to all patent owners in the United States. In the Court’s words:

*We have no king in this country; we have here no prerogative right of the crown; and letters patent, whether for inventions or for grants of land, issue not from the President but from the United States. The President has no prerogative in the matter.*¹⁷

On page 363 of the *Am. Bell* opinion, which is pin cited by the *McCormick* Court, the *Am. Bell* Court continues:

¹⁵ *Id.*

¹⁶ 128 U.S. 315 (1888).

¹⁷ *Id.* at 362–63 (emphasis added).

The patent, then, is not the exercise of any prerogative or discretion by the President or by any other officer of the government, but it is the result of a course of proceeding, quasi judicial in its character, *and is not subject to be repealed or revoked by the President, the Secretary of Interior, or the Commissioner of Patents, when once issued*.¹⁸

Thus, although the Federal Government retained the constitutional authority to pursue the invalidation of patents fraudulently obtained—certainly a noble cause¹⁹—the Court made clear that, in pursuit of that noble cause, the Government’s recourse could only be found in the Article III courts, and not in the executive department which issued the patent.

This, like *McCormick*, is a constitutional holding.

In *United States v. Schurz*,²⁰ the Court was asked to consider whether the General Land Office could withhold delivery of a land patent once it was signed, sealed, and recorded by that office. In particular, the General Land Office identified, after patent recordation, evidence of “conflicting rights of other parties to the lands covered by it.”²¹ Although the Land Office controlled most aspects of the *granting* process (both ministerial and judicial), the Court held that, once granted, title to the land passed from the government, and only a court as a matter of constitutional principle had the authority to revoke the patent. Therefore, the Land Office could be compelled by writ to deliver the patent to the patentee (even where there was newly discovered evidence of “conflicting rights”). Specifically, the Court explained:

The *Constitution of the United States* declares that Congress shall have power to dispose of and make needful rules and regulations respecting the territory and other property belonging to the United States. Under this provision that sale of the public lands was placed by statute

¹⁸ *Id.* at 363 (emphasis added).

¹⁹ Compare, for example, the policy goals underlying the enactment of the modern post grant review statutes.

²⁰ 102 U.S. 378 (1880).

²¹ *Id.* at 395.

under the control of the Secretary of Interior. To aid him in the performance of this duty, a bureau was created, at the head of which is the Commissioner of the General Land-Office . . .

. . . This court has with a strong hand upheld the doctrine that so long as legal title to these lands *remained in the United States*, and the proceedings for acquiring it were yet *in fieri*, the courts would not interfere to control the exercise of the power thus vested in that tribunal. To that doctrine we still adhere.

But we have also held that when, by the action of these officers and of the President of the United States, in issuing a patent to a citizen, the title to the lands *has passed from the government*, the question as to real ownership *is open in the proper courts to all the considerations appropriate to the case*. And this is so, whether the suit is by the United States to set aside the patent and recover back the title . . . or by an individual.²²

The Court further held that it was required to curtail the power of “a high officer of the executive branch” in order to avoid an “irremediable injustice.” In the Court’s words:

It is not always that the ill consequences of a principle should control a court in deciding what the established law on a particular subject is, *and in the delicate matter of controlling the action of a high officer of the executive branch of government*, it would certainly not alone be sufficient to justify judicial interposition. But it may tend to reconcile us to such action as we feel forced to take, under settled doctrines of the courts, *to see that any other course would lead to irremediable injustice*.²³

This, like *McCormick*, is a constitutional holding.

The next sentence from *McCormick*, as well as the constitutional authority from which it is derived, is evaluated.

²² *Id.* at 398-99 (emphasis added).

²³ *Id.* at 404 (emphasis added).

It has become the property of the patentee, and as such is entitled to the same legal protection as other property. *Seymour v. Osborne*, 11 Wall. 516; *Cammeyer v. Newton*, 94 U.S. 225, *United States v. Palmer*, 128 U.S. 262, 271.²⁴

In *United States v. Palmer*, the owner of a patent for intellectual property claiming improvements in infantry equipment sued the Government for breach of implied license. In essence, the Government used the patented improvements and declined to pay the patent owner in contravention of an implied agreement between the parties.

The Government objected to the lawsuit on jurisdictional grounds. The Court held that the Court of Claims (as opposed to the Circuit Court) had jurisdiction to resolve the dispute given that the alleged breach of implied license was a contract action, and not a tort. If either patent infringement or invalidity were at issue, then the Circuit Court would have exclusive jurisdiction.

Interestingly, and perhaps troubled by the facts of the case, the Court did not stop there—although it could have relative to the jurisdictional arguments presented. Specifically, the Court confronted the antiquated English practice reserving to the Crown the right to use patented inventions:

It was at one time somewhat doubted whether the government might not be entitled to the use and benefit of every patented invention, by analogy to the English law which reserves this right to the crown. But that notion no longer exists.²⁵

On page 271 of the *Palmer* opinion, which is pin cited by *McCormick*, the Court continued:

The United States has no such prerogative as that which is claimed by the sovereigns of England, by which it can reserve to itself, either expressly or by implication, a superior dominion and use in that which it grants by letters-patent to those who entitle themselves to such grants. *The government of the United States, as well as the citizen, is*

²⁴ 169 U.S. at 609.

²⁵ 128 U.S. at 270.

*subject to the Constitution; and when it grants a patent the grantee is entitled to it as a matter of right, and does not receive it, as was originally supposed to be the case in England, as a matter of grace and favor.*²⁶

This, like *McCormick*, is a constitutional holding.

In *Seymour v. Osborne*,²⁷ the Court held that in a dispute between parties for alleged patent infringement, reissued patents may be invalid where they claim an invention substantially different from what was originally claimed. In the Court's view, any reissued patent granted by the Commissioner failing to comply with the Patent Office's guidelines was invalid for want of statutory authority.

Nonetheless, the Court held that only a court of equity could make determinations regarding reissued patent invalidity:

*Inventions secured by letters patent are property in the holder of the patent, and as such are as much entitled to protection as any other property . . .*²⁸

*. . . Whether a reissued patent is for the same invention as that embodied in the original patent or for a different one is a question for the court in an equity suit to be determined as a matter of construction, on a comparison of the two instruments, aided or not by the testimony of expert witnesses, as it may or may not appear that one or both may contain technical terms or terms of art requiring such assistance in ascertaining the true meaning of the language employed.*²⁹

Perhaps not as overt as the other cited authority, this, like *McCormick*, is nonetheless a constitutional holding.

²⁶ Quoting *James v. Campbell*, 104 U.S. 356, 358 (1882) (emphasis added). *James v. Campbell* was recently discussed, and favorably applied, in a Supreme Court majority opinion. See *Horne v. Dept. Agric.*, 135 S. Ct. 2419, 2427 (2015).

²⁷ 78 U.S. 516 (1871).

²⁸ *Id.* at 533.

²⁹ *Id.* at 545–46 (emphasis added).

In *Cammeyer v. Newton*,³⁰ a patent owner sued an employee of the Government for patent infringement. The Court found that patent infringement had not occurred, but, like the *Palmer* Court, took the decision a step further. Specifically, in the *first paragraph* of the opinion, the Court explained:

Holders of valid letters-patent enjoy, by virtue of the same, *the exclusive right and liberty* of making and using the invention therein secured, and of vending the same to others to be used, as provided by the act of Congress; and the rule of law is well settled, *that an invention so secured is property in the holder of the patent*, and that as such the right of the holder *is as much entitled to protection as any other property* . . .³¹

The Court continued, perhaps troubled by the alleged infringement of privately-owned patents by members of the Government:

Public employment is no defense to the employee for having converted the private property of another to the public use without his consent and without just compensation. Private property, *the Constitution provides*, shall not be taken for public use without just compensation; and it is clear that that provision is as applicable to the government as to individuals . . .

. . . Agents of the public have no more right to take such private property than other individuals under that provision [of the Patent Act], as it contains no exception warranting any such invasion of the *private rights* of individuals.³²

This, like *McCormick*, is a constitutional holding.

The next sentence of *McCormick* is particularly important, and this statement has been quoted numerous times by parties challenging the constitutionality of the USPTO's patent revocation power.

³⁰ 94 U.S. at 226 (1876).

³¹ *Id.* at 226 (emphasis added). For additional discussion regarding intellectual property patents as constitutionally-protected private property, see generally Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 B.U. L. REV. 689 (2007).

³² 94 U.S. at 234–35 (emphasis added).

The only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent. *Moore v. Robbins*, 96 U.S. 530, 533, *United States v. Am. Bell Telephone Co.*, 128 U.S. 315, 364; *Michigan Land & Lumber Co. v. Rust*, 168 U.S. 589, 593.

*Moore v. Robbins*³³ is another highly important case, and perhaps belongs in the same pantheon as *McCormick* and *Am. Bell*. In *Moore*, a land patent was issued by the Commissioner of the General Land Office to “Party A.” “Party B” appealed from the decision of the Commissioner to the Secretary of the Interior, arguing that it (as opposed to Party A) was the rightful owner and thus entitled to the patent. The Secretary agreed, and directed the return of Party A’s patent to the Land Office. Party A refused, and litigation ensued.

Significantly, the lower court agreed with Party B “on the ground that to the officers of the Land Department, including the Secretary of the Interior, *the acts of Congress had confided the determination of this class of cases.*”³⁴ Stated differently, the lower court read the relevant statute as conferring adjudicatory authority to the Land Office. The Supreme Court’s response is critically important in terms of undermining the Federal Circuit’s interpretation of *McCormick*. The Court expressly declined to evaluate or review the relevant statute:

*Without now inquiring into the nature and extent of the doctrine referred to by the [lower] court . . . it is equally clear that when the patent has been awarded to one of the contestants, and has been issued, delivered, and accepted, all right to control the title or to decide on the right to the title has passed from the land office. Not only has it passed from the land office, but it has passed from the Executive Department of the government.*³⁵

³³ 96 U.S. 530 (1878).

³⁴ *Id.* at 532 (emphasis added).

³⁵ *Id.* (emphasis added).

Thus, the Supreme Court declined to evaluate the text of the statute, or whether the Land Office had been statutorily empowered to recall the patent. Instead, the Court held as a matter of constitutional principle that the right to recall title had “passed from the Executive Department.” This case underlies the *McCormick* holding, and the Federal Circuit’s view of it is in direct conflict.

The *McCormick* Court pin cited page 533 of the *Moore* opinion for the proposition that patents for intellectual property may only be invalidated by an Article III court. There, the *Moore* Court continued in a similar vein:

But in all of this there is no place for the further control of the Executive Department over the title. The functions of that department necessarily cease when the title has passed from the government. And the title does so pass in every instance where, under the decisions of the officers having authority in the matter, a conveyance, generally called a patent, has been signed by the President, and sealed, and delivered to and accepted by the grantee. It is a matter of course that, after this is done, neither the secretary nor any other executive officer can entertain an appeal. He is absolutely without authority. *If this were not so, the titles derived from the United States, instead of being the safe and assured evidence of ownership which they are generally supposed to be, would be always subject to the fluctuating, and in many cases unreliable, action of the land office.* No man could buy the grantee with safety, because he could only convey subject to the right of the officers of the government to annul his title.

If such a power exists, when does it cease? There is no statute of limitations against the government; and if this right to reconsider and annul a patent after it has once become perfect exists in the Executive Department, it can be exercised at any time, however remote. It is needless to pursue the subject further. *The existence of any such power in the Land Department is utterly inconsistent with the universal principle on which the right of private property is*

founded . . . [Party A] has a title perfect both at law and in equity. (emphasis added).³⁶

This, like *McCormick*, is a constitutional holding. And not only is it a constitutional holding, it is a constitutional holding made in the face of a question of statutory interpretation—a question of statutory interpretation the Court expressly declined to resolve in favor of addressing the overriding constitutional principles.

United States v. Am. Bell is cited again by the *McCormick* Court, this time, however, pin citing page 364 as opposed to page 363. Recall that the *Am. Bell* Court approved the Federal Government's ability to unilaterally pursue the revocation of intellectual property patents obtained by fraud. The same Court was also careful to ensure that, although the Federal Government had the power to initiate revocation proceedings, those proceedings were required to take place in an Article III court. Specifically, the Court held on page 364 of *American Bell* that:

The only authority competent to set a patent [for intellectual property] aside, or to annul it, or to correct it, for any reason whatever, *is vested in the judicial department of government*, and this can be effected by proper proceedings taken in the courts of the United States.³⁷

This, like *McCormick*, is a constitutional holding.

In *Michigan Land v. Rust*,³⁸ the Supreme Court held that *prior* to the grant of a land patent, the General Land Office retained significant authority to review the validity of rights claimed against the Government. This case arose in the context of a dispute regarding the designation of property as swamp land. Per the statute, swamp land was to issue to the state; other land could be sold to private owners. The disputed land patent had originally been designated as swamp land; however, the General Land Office updated its designation *before* land patent issuance. The Court held that, prior to patent issuance, the executive department retained

³⁶ *Id.* at 533 (emphasis added).

³⁷ 128 U.S. at 364.

³⁸ 168 U.S. 589 (1897).

significant discretion in the resolution of the right; however, once issued, only a court could determine patent validity.

The *McCormick* Court pin cited page 593 of the *Michigan Land* decision. There, the Court explained:

[W]henever the granting act specifically provides for the issue of a patent, then the rule is that the legal title remains in the Government until the issue of the patent; and while so remaining the grant is in process of administration, and the jurisdiction of the land department is not lost . . . In other words, the power of the department to inquire into the extent and validity of the rights claimed against the Government does not cease until the legal title has passed . . . After the issue of the patent the matter becomes subject to inquiry *only in the courts and by judicial proceedings* (emphasis added).³⁹

This, like *McCormick*, is a constitutional holding.

The *McCormick* decision further rests on other formative separation of powers cases. Cases like *United States v. Stone*,⁴⁰ *Iron Silver Mining Co. v. Campbell*,⁴¹ or *Noble v. Union River Logging Railroad*⁴² do not compel a different result. Suffice it to say that the Supreme Court in *McCormick* backed its opinion with virtually every landmark separation of powers case it had at its disposal.

To agree that *McCormick* is statutorily-based requires the sort of suspension of disbelief better reserved for creative writing. The case law underlying the *McCormick* decision is unmistakably constitutional. In this regard, *McCormick* is not an esoteric and long-forgotten manifestation of aberrant Supreme Court decisional law, but instead the end result of decades of proactive separation of powers jurisprudence by the Supreme Court, securing for both land and intellectual property patent owners their day in an Article III court.

³⁹ 168 U.S. at 533 (citing *Moore v. Robbins*, 96 U.S. 530 (1878)).

⁴⁰ 69 U.S. 525 (1865).

⁴¹ 135 U.S. 286 (1890).

⁴² 147 U.S. 165 (1893).

In *Patlex*, the Federal Circuit acknowledged the constitutional holding of *McCormick*, and attempted to outmaneuver it with a mischaracterization of the Supreme Court's public rights rule. In *MCM*, the Federal Circuit confronted *McCormick*, and reclassified it as a case of mere statutory interpretation.⁴³ If anything is clear, it is that the Federal Circuit views *McCormick* as obsolete. This imperative, however, lies with the Supreme Court of the United States, not with the Federal Circuit.

Further, calling into question the constitutional basis of the *McCormick* decision necessarily calls into question the constitutional basis of the many decisions upon which *McCormick* relies. This not only creates an improbable (impossible?) result, but also a dangerous one—if *McCormick* is a question of mere statutory authorization, is *Palmer* the same? What about *Am. Bell*, *Moore v. Robbins*, or *James v. Campbell*? These cases represent pillars on the separation of powers landscape, and the Federal Circuit's precedential *MCM* decision directly challenges them.

D. A Historical Review of Interference Proceedings Does Not Compel a Different Result

It is argued that the Patent Act of 1836⁴⁴ conferred upon the Commissioner of Patents the power to invalidate issued patents for intellectual property during interference proceedings. It is true that § 8 of that Act empowered the Commissioner to conduct interference proceedings where “an application shall be made for a patent which, in the opinion of the Commissioner, would interfere with any other patent for which an application may be pending, or with any unexpired patent,” and that § 8 of that Act further empowered the Commissioner to render a decision “on the question of priority of right or invention.”⁴⁵ It is not true, however, that this provision conferred upon the Patent Office the patent invalidation power.

⁴³ Perhaps an alternative argument, from the Federal Circuit's perspective, is that *McCormick* was wrongly decided.

⁴⁴ Patent Act of 1836, Pub. L. No. 24-357, 5 Stat. 117 (1836).

⁴⁵ *Id.* § 8.

Specifically, where § 8 of the Act establishes the administrative review mechanism, § 16 of the same Act specifies the *enforcement* procedure governing the § 8 administrative determination.⁴⁶

And it be further enacted, That whenever there shall be two interfering patents, or whenever a patent on application shall have been refused on an adverse decision of a board of examiners . . . any person interested in any such patent . . . may have remedy by *bill in equity; and the court* having cognizance thereof . . . *may adjudge and declare the either the patents void in whole or in part, or inoperative or invalid* . . . (emphasis added).⁴⁷

Per the statute, the patent invalidation power remained in the Article III courts, and any reliance upon the 1836 Act for the proposition that administrative patent invalidation was a mainstay of the United States patent system is misplaced.

As patent academic Professor Mark Lemley⁴⁸ identified in his detailed review of the history of patent disputes in the United States and England, the effect of interference proceedings under the 1836 Act was two-fold:

The 1836 Patent Act did not include a specific private cause of action for *scire facias* cancellation for fraud or equitable conduct, but only in the case of what we would today call an interference proceeding between competing inventors. As a result, *revocation proceedings that would actually declare a patent invalid and therefore void all but disappeared from U.S. law after 1836*.⁴⁹

And more importantly, from the standpoint of Article III:

⁴⁶ In this regard, the procedure was (presciently) in harmony with *Crowell* and *Schor*, discussed *infra*.

⁴⁷ Patent Act of 1836 § 16.

⁴⁸ Lemley, *Why do Juries Decide if Patents are Valid?* 99 VA. L. REV. 1673 (2013). In this article, Professor Lemley provides a comprehensive review of the history of the American and English patent systems. The purpose of the review is to support the conclusion that the Seventh Amendment right to a jury trial does not accompany a “pure” claim of patent invalidity. Although his article addresses the Seventh Amendment, the historical review is equally applicable in other contexts—e.g., Article III.

⁴⁹ *Id.* at 1699 (emphasis added).

A closer analogy to the revocation proceeding was the sole provision in the 1836 Act for private *scire facias*, which was available only in the case of disagreement between two patentees over which one was the true inventor Notably, *the Supreme Court held that a proceeding of this sort was a proceeding in equity, not law . . . [and] ‘the nature of the chancery jurisdiction and its mode of proceeding have established it as the appropriate tribunal for the annulling of a grant or patent from the government.’*⁵⁰

Thus, not only did revocation proceedings “all but disappear[]” after enactment of the statute, the limited revocation proceedings that did occur (regarding *issued* patents) took place in Article III courts.

The Federal Circuit correctly identified in *MCM* the first instance of the USPTO receiving the patent invalidation power from Congress.⁵¹

McCormick [] did not address Article III and certainly did not forbid Congress from granting the PTO the authority to correct or cancel an issued patent. *Congress has since done so by creating the ex parte reexamination proceeding in 1980; the inter partes reexamination proceeding in 1990; and inter partes review, post-grant review, and Covered Business Method patent review in 2011.*⁵²

It *appears* that the USPTO’s interference proceedings were first empowered to invalidate issued patents by a November 8, 1984 amendment to 35 U.S.C. § 135(a) (pre-AIA).⁵³ This date is generally aligned with the enactment of the reexamination statute (1980), and pre-dates the Federal Circuit’s *Patlex* decision by several months.

⁵⁰ *Id.* at 1700 (emphasis added) (citations omitted).

⁵¹ Beyond the question of the Patent Office’s constitutional adjudicatory authority certified for the Supreme Court in *McCormick*.

⁵² 912 F.3d at 1289 (emphasis added).

⁵³ *See, e.g.*, 35 U.S.C. 135 (Pre-AIA): Interferences, BITLAW (Nov. 2015), [http://www.bitlaw.com/source/35usc/135_\(pre%E2%80%91AIA\).html](http://www.bitlaw.com/source/35usc/135_(pre%E2%80%91AIA).html).

It is further argued that two 19th century Supreme Court cases support the conclusion that the Supreme Court contemplated the Article I Patent Office's patent invalidation power without objection (constitutional or otherwise), thus confirming that *McCormick* was decided on statutory grounds. In particular, the Supreme Court's decision in *United States v. Duell*⁵⁴ post-dates the *McCormick* decision by ten months, and thus, the reasoning goes, if *McCormick* was decided on constitutional grounds, it certainly would have featured in *Duell*, which did not cite or otherwise discuss *McCormick*.

At issue in *Duell* was whether a patent would issue (pending resolution of the interference) from competing *applications*.⁵⁵ The broader question was whether Congress could assign Article III review over *pre-grant* determinations made by the Patent Office.⁵⁶ Specifically, the Petitioner argued that the statute conferring Article III review over the executive determination was an unconstitutional usurpation of the executive's power.

Citing *Murray's Lessee*, the Supreme Court disagreed.⁵⁷ Given that the *pre-grant* phase of patent issuance implicates "public rights," "Congress may or may not bring within the cognizance of the courts [such rights] . . . as it deems proper."⁵⁸ Therefore, the statute providing for Article III review of the Commissioner's determination of priority between competing patent *applications* did not threaten the separation of powers. Article III review was completely discretionary per Congress.⁵⁹

Duell did not feature the invalidation of an issued patent by the Commissioner, nor did it include evidence that the Court was

⁵⁴ 172 U.S. 576 (1899).

⁵⁵ *Id.* at 583, 586–87.

⁵⁶ *Id.* at 582.

⁵⁷ *Id.* at 582–83.

⁵⁸ *Id.* at 583.

⁵⁹ In light of the Federal Circuit's *Patlex*, *Joy*, and *MCM* decisions, the same reasoning necessarily applies to *issued* patents. *See also* Greenspoon, *Paternal Justice: A Bill Cosby Approach to Patents by the PTO*, IP WATCHDOG (July 12, 2015), <http://www.ipwatchdog.com/2015/07/12/paternal-justice-bill-cosby-approach-to-patents-by-the-pto/id=59620/>.

aware that the Commissioner had such alleged power.⁶⁰ The fact that the Court reviewed the Patent Office's ability to deny *applications* (whether during interference proceedings or otherwise) without objection is in harmony with the constitutional holding of *McCormick*, in addition to the various constitutional decisions from which it is derived. The pre-grant phase of both land and intellectual property patents is both ministerial and judicial, and implicates "public rights." Once granted, however, title passes from the government, the patent vests as private property, and its validity becomes a matter of "private rights" requiring Article III resolution. *Duell* does not deviate from this constitutional scheme.

Similarly, *Morgan v. Daniels*⁶¹ did not address (or even acknowledge) the Article I invalidation of an issued patent by the Commissioner during an interference proceeding. Instead, at issue in *Morgan* were competing *patent applications*.⁶² The Court held that the Commissioner's factual determinations resolving the question of priority between the competing applications were treated as controlling (unless contrary testimony was rendered) in subsequent litigation.⁶³ *Morgan*, thus, like *Duell*, is in sync with *McCormick*'s constitutional holding.

Finally, to the extent the USPTO revoked issued patents during interference proceedings, no evidence has been presented that the Supreme Court considered the constitutionality of such proceedings, or that it was even aware that the Patent Office had such alleged power. The power of the Patent Office to decline *patent applications* has never been in dispute—and in this vein, *Duell* and *Morgan* produce unremarkable results.

Absent authority demonstrating that the Supreme Court expressly contemplated the constitutionality of interference proceedings revoking *issued* patents—or, conversely, that the Supreme Court resolved a case featuring an issued patent invalidated by the Commissioner during an interference without

⁶⁰ See generally *id.*

⁶¹ 153 U.S. 120 (1894).

⁶² See generally *id.*

⁶³ *Id.* at 125.

constitutional complaint—reference to interference proceedings does not call into question the constitutional holding of *McCormick*.

II. LITIGANTS AND LOWER COURTS MISCHARACTERIZE THE SUPREME COURT'S PUBLIC RIGHTS RULE OF LAW

It is argued that even if *McCormick* was decided on constitutional grounds, no court should apply it as it is in conflict with modern administrative law. It is further argued, somewhat conveniently, that the Court's public rights rule of law is an unknowable morass, devoid of identifiable parts. To be sure, the Court's public rights precedent is hardly a model of clarity. However, where the Court's opinions tend to get "bogged down" is not in the initial private right versus public right determination (particularly where a claim has centuries of historical antecedent at *law* or *equity*), but in defining the scope of permissible Article I involvement once the private right–public right question has been resolved. Matters are further complicated by the fact that the Court appears to have a somewhat different approach depending upon whether an administrative tribunal (e.g., the PTAB) or a legislative court (e.g., the bankruptcy court) is at issue.

In order to understand the private right versus public right determination, it is necessary to understand the Supreme Court case that created it—i.e., *Murray's Lessee*.⁶⁴ Stunningly, in its first two decisions determining whether the validity of an issued patent is a matter of private or public rights, the Federal Circuit in *Patlex* and *Joy* neither acknowledged the controlling standard of *Murray*, nor even cited to it. No Supreme Court public rights majority, concurring, or plurality decision has criticized, diminished, or otherwise declined to apply *Murray* to the initial private right versus public right determination. Even the dissent in *Stern v. Marshall* applied the *Murray* rule without objection.⁶⁵ The "fight"

⁶⁴ *Murray's Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. 272 (1856).

⁶⁵ *Stern*, 564 U.S. at 507–08 (J. Breyer observing, in dissent, that "[t]he majority reads the first part of the statement's first sentence [of *Murray*] as authoritatively defining the boundaries of *Article III*" (emphasis in original)).

isn't over whether *Murray* should or should not apply, the fight is over how important the private right–public right designation should be. And, per the *Stern* majority, that designation remains very important.⁶⁶ In this regard, the Federal Circuit's *Patlex* and *Joy* opinions stand uniquely alone.

At least in *MCM*, the Federal Circuit acknowledged *Murray*.⁶⁷ However, the Federal Circuit again declined to apply, or even recite, the *Murray* standard. As the review below will demonstrate, the reason for this is clear—applying *Murray* (like *McCormick*) compels a finding of unconstitutionality.

A. The Public Rights Exception: Murray's Lessee

The definitional complexity of the Supreme Court's public rights jurisprudence is well known. The fundamental rationale of *Murray*, however, is relatively straightforward: how and where the nation, newly freed from English oppression, determined to resolve its disputes constitutes the core of the Article III judicial power.⁶⁸ If the nation, during the pendency and eventual ratification of the U.S. Constitution, provided for the resolution of disputes between private citizens in a court of law, equity, or admiralty, then the issue is a matter of “private rights” requiring Article III resolution.⁶⁹ Conversely, if the claims (1) were administratively resolved during this period, *or* (2) constitute *novel* statutory causes of action⁷⁰ post-dating the ratification of the Constitution, then they are “public rights,” and may be resolved conclusively by an Article I tribunal.

Statutory causes of action or affirmative defenses derived from power conferred by the U.S. Constitution may nonetheless be private rights, depending upon where these matters were resolved.⁷¹ Importantly, the public rights question compares how

⁶⁶ *Id.* at 465.

⁶⁷ 812 F.3d at 1289.

⁶⁸ 59 U.S. at 281–82.

⁶⁹ Somewhat perplexingly, litigants argue that this principle only applies to determinations at law, to the exclusion of equity or admiralty (perhaps conflating Seventh Amendment review with the public rights analysis).

⁷⁰ Such “seemingly” private rights are nonetheless public rights.

⁷¹ 59 U.S. at 280–85.

the colonies resolved their disputes (under English supervision) with how the newly formed nation determined the same. Where, as in the case of patent invalidity, there was a shift from legislative adjudication (colonies) to resolution at law or equity (nation), the right is necessarily private—the rationale being that the newly formed nation preferred (as the result of negative experiences) to have the dispute resolved in a court free from the influence of the executive.⁷² The public rights exception also looks to English practice, but not to the exclusion of the historical American practice.⁷³ To the extent that the two practices are in harmony, the private right designation is further supported.⁷⁴

The facts of *Murray* demonstrate how this works in practice. In *Murray*, a tax collector failed to return the full sum due to the Treasury; the Solicitor of the Treasury, pursuant to his statutory authority, then issued a distress warrant against the collector, compelling the sale of various assets in satisfaction of the outstanding balance due.⁷⁵ This process unfolded administratively.

It was argued that this administrative process was a deprivation of due process, in addition to an unconstitutional exercise of the Article III judicial power.⁷⁶ In resolving the question regarding the judicial power, the Court conceded that the process of auditing the collector was a “judicial act.”⁷⁷ But was it a judicial act requiring an Article III court? The Court said no.⁷⁸ Although it was a process *susceptible* to Article III resolution, it was not *required* because:

[T]he means provided by the act of 1820 [for collection] do not differ in principle from those employed in England from remote antiquity—and in many of the States, so far as

⁷² *Id.*

⁷³ *Id.*

⁷⁴ Consider, for example, that the last reported use of the English Privy Council to invalidate an intellectual property patent was in 1779. Lemley, *supra* note 48, at 1684. By this stage, virtually all English patent invalidity disputes were resolved in the courts of law or equity. *Id.* at 1683–84.

⁷⁵ 59 U.S. at 274–75.

⁷⁶ *Id.* at 275.

⁷⁷ *Id.*

⁷⁸ *Id.* at 280.

we know *without objection*—for this purpose, *at the time the Constitution was formed*.⁷⁹

That is, in both the United States and England, the matter was resolved administratively without objection, and therefore Congress retained discretion as to whether to invite the judiciary's participation. This is the public rights rule, and this is how it is applied. The Supreme Court articulated it in the following (now famous) form:

[W]e think it proper to state that we do not consider congress can either withdraw from judicial cognizance any matter which, from its nature, *is the subject of a suit at the common law, or in equity, or admiralty* . . . At the same time there are matters, involving *public rights* which may be presented in such form that the judicial power is capable of acting on them, and which are susceptible of judicial determination, but which congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper.⁸⁰

As indicated, the phrase “any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty” did not appear in the *three* Federal Circuit opinions holding that the validity of an issued patent for intellectual property is a matter of public rights.⁸¹ Additionally, the Federal Circuit did not evaluate where the new nation resolved its patent disputes, or compare

⁷⁹ *Id.* at 281–82 (emphasis added). The due process analysis required a similar review, comparing English practice with U.S. practice *after* independence had been achieved: “[W]e must look to those settled usages and modes of proceeding existing in the common and statute law of England, before the emigration of our ancestors, and *which are shown not to have been unsuited to their civil and political condition by having been acted on by them after the settlement of this country*.” *Murray*, 59 U.S. at 277 (emphasis added).

⁸⁰ *Id.* at 284. Restrictive permutations of this standard, e.g., Federal Government as a party, have not survived the test of time. In this regard, the Court cautioned against doctrinaire reliance upon formal categories, but not to the exclusion of the law, equity, or admiralty rule. *See, e.g., Crowell*, 285 U.S. at 53.

⁸¹ As discussed *infra*, a permutation of this standard appears in Judge Nies’ *Lockwood* dissent.

where the colonies were required to do the same.⁸² Similarly, there is no mention of customary English practice regarding patent disputes at or around the time of the Constitution's ratification. As mentioned, no decision of the Supreme Court has omitted this rule, including the 2011 *Stern v. Marshall* majority and dissent.⁸³

Fortunately, this historical review was completed by the Federal Circuit in a separate context. The question of whether there is a Seventh Amendment right to a jury trial on a “pure” question of patent invalidity requires a historical analysis to determine, in large part, whether a writ of *scire facias* for patent invalidity (as opposed to fraud) was resolved at law or equity. This is a complex question, and it is not addressed here.⁸⁴ What is important from the standpoint of Article III is that the writ (and patent invalidity generally, even as an affirmative defense) was at one or the other—that is, whether at law or equity, the Article III result is necessarily the same. Suits at law, equity, or admiralty are private rights per *Murray*.⁸⁵

B. The Historical Narrative: Federal Circuit Case Law

In *In re Lockwood*, the Federal Circuit determined that a “pure” question of patent invalidity had a Seventh Amendment right to a jury trial.⁸⁶ The Supreme Court granted *certiorari*, the Petitioner withdrew its jury trial demand, and *Lockwood* was vacated.⁸⁷

⁸² The determination does not turn on whether the matter is statutorily based. If this were the case, the statutory right at issue in *Murray* would have produced a one sentence opinion (with respect to Article III). Instead, the analysis determines where the statutory right was adjudicated.

⁸³ See generally 564 U.S. 462 (2011).

⁸⁴ Compare, e.g., *In re Lockwood*, 50 F.3d 966 (Fed. Cir. 1995) with Lemley, *supra* note 48.

⁸⁵ Perhaps stated differently, because the Federal Circuit declined to perform the historical analysis required by *Murray* and *Stern* in *Patlex*, *Joy*, and *MCM*, the historical analysis completed by the same Court in a separate context (Seventh Amendment) is thus “borrowed”—historical facts are historical facts, and may be applied in parallel contexts (i.e., Seventh Amendment and Article III).

⁸⁶ 50 F.3d 966, 976 (1995).

⁸⁷ See, e.g., *Tegal Corp. v. Tokyo Electron Am.*, 257 F.3d 1331, 1340 (Fed. Cir. 2001).

Follow-on decisions by the Federal Circuit have cited *Lockwood* favorably.⁸⁸ Nonetheless, *Lockwood* is not important for the legal conclusion that it draws regarding the Seventh Amendment, but for the history that it tells. And whether vacated or not, historical facts remain historical facts.

In determining that a pure question of patent validity had a Seventh Amendment right to a jury trial,⁸⁹ the Federal Circuit looked beyond the Declaratory Judgment Act itself, and instead reviewed the adjudication of patent invalidity generally.⁹⁰ Because patent invalidity was often raised as an affirmative defense to patent infringement, the Federal Circuit applied the inversion method—that is, “[i]f the declaratory judgment action does not fit into one of the existing equitable patterns but is essentially an inverted lawsuit—an action brought by one who would have been a defendant at common law—then the parties have a right to a jury.”⁹¹ Thus, the satisfactory “analog” was a suit for patent infringement (at law) where the affirmative defense of invalidity had been pled.⁹² By this rationale, the Federal Circuit concluded that a jury trial right attached.⁹³

Interestingly, the Federal Circuit also addressed the writ of *scire facias*.⁹⁴ The Federal Circuit reasoned that because the writ was primarily used to invalidate patents obtained by fraud, it was more analogous to a claim of inequitable conduct than patent invalidity. And even if the writ was used to invalidate a patent in a “pure” sense, the Federal Circuit held that the equity court exercised both legal and equitable powers, and “[t]hus, in a *scire facias* raising genuine issues of material fact, the proceeding in chancery [i.e., equity] was suspended pending a determination by a

⁸⁸ See, e.g., *In re Tech. Licensing*, 423 F.3d 1286 (Fed. Cir. 2005); *Tegal Corp.*, 257 F.3d 1331.

⁸⁹ In *Lockwood*, the complaint for patent infringement was dismissed; the declaration of patent invalidity remained in the dispute. 530 F.3d at 968–69.

⁹⁰ *Id.* at 973–76.

⁹¹ *Id.* at 975 (internal quotation marks omitted).

⁹² *Id.* at 973–76.

⁹³ *Id.* at 980.

⁹⁴ *Id.* at 975.

jury summoned in the Court of King's Bench, the main [common] law court."⁹⁵

Applying this analysis to Article III and *Murray*, patent invalidity, either as an affirmative defense or as a standalone claim under a writ, was resolved at law *or* equity. Therefore, it is necessarily a private right, and no decision of the Supreme Court has held to the contrary.

C. Judge Nies' Lockwood Dissent: Important for What It Says, but Also for What It Doesn't

In her dissent, Judge Nies conceded that a jury trial right necessarily attached to a suit for damages for infringement.⁹⁶ However, she distinguished the infringement suit scenario, explaining "[a] separate nullification action, similar to the present day declaratory judgment action, could be brought before the *English equity court*. In England, prior to 1791, anyone could challenge a patent's validity by a *scire facias* writ *in equity*."⁹⁷ Such writs were not merely limited to fraud, which she connected, like the majority, to inequitable conduct, but also included "unlawful grant," i.e. patent invalidity.⁹⁸ Given that these writs were resolved at equity, as opposed to law, Judge Nies concluded that the jury trial right did not attach.⁹⁹

More importantly, Judge Nies correctly identified that the majority's reasoning necessarily triggered a separation of powers problem under *Murray*.¹⁰⁰ That is, by concluding that patent invalidity was resolved in American and English courts of law at or near the time of the Constitution's ratification, "*Patlex* must be overruled under the panel's reasoning."¹⁰¹ Per Judge Nies, "[a]

⁹⁵ *Lockwood*, 530 F.3d at 975.

⁹⁶ *Id.* at 981.

⁹⁷ *Id.* at 984 (emphasis added).

⁹⁸ *Id.* at 985.

⁹⁹ *Id.* at 981–85.

¹⁰⁰ *Id.* at 983.

¹⁰¹ *Lockwood*, 530 F.3d at 982.

litigant cannot have a constitutional right and not have a constitutional right on the same issue.”¹⁰²

Judge Nies then articulated the *Murray* standard, as she viewed it. It is reproduced below *exactly* as it is written in the dissent:

Congress can [not] withdraw from judicial cognizance any matter which, from its nature, *is the subject of a suit at the common law* . . . At the same time there are matters, involving *public rights*, which may be presented in such form that the judicial power is capable of acting on them, and which are susceptible of judicial determination, but which congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper.¹⁰³

Applying her rendition of *Murray*, Judge Nies concluded that because the writ was traditionally resolved at equity, not only was the Seventh Amendment inapplicable, but the claim also remained a “public right.”¹⁰⁴ Therefore, in Judge Nies’ view, *Patlex* remained good law.

The standard reproduced by Judge Nies, however, is not the *Murray* rule. Compare with the *complete* language of *Murray*, as written by the Supreme Court:¹⁰⁵

Congress can [not] withdraw from judicial cognizance any matter which, from its nature, *is the subject of a suit at the common law, or in equity, or admiralty* . . . At the same time there are matters, involving *public rights* which may

¹⁰² *Id.* Interestingly, Judge Newman, the author of *Patlex*, also dissented in *In re Tech. Licensing*, where she provided a passionate defense of the Seventh Amendment right to a jury trial on “pure” questions of patent invalidity. Specifically, Judge Newman argued “[p]atent validity was a common law action tried to a jury in Eighteenth Century England. An action to repeal and cancel a patent was pled as the common law writ of *scire facias* . . . [t]his was the situation in 1791 in England, and the United States Constitution preserved that [jury trial] right.” 423 F.3d at 1292–94.

¹⁰³ *Id.* at 982 (emphasis added).

¹⁰⁴ *Id.* at 981–85.

¹⁰⁵ Compare further with, for example, the language of Article III, § 2: “The Judicial Power shall extend to all cases, *in law or equity*, arising under this Constitution, the laws of the United States . . .” (emphasis added).

be presented in such form that the judicial power is capable of acting on them, and which are susceptible of judicial determination, but which congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper.¹⁰⁶

Applying the *Supreme Court*'s standard to Judge Nies' conclusion that the invalidity writ was resolved at *equity*, patent invalidity is thus a "private right" (without a jury trial right) requiring Article III resolution. That the Court's standard was excised in this fashion is inexplicable. Presumably, Judge Nies sought to preserve *Patlex* while simultaneously circumventing the Seventh Amendment—a result unsupported, however, by the rule of law.

D. The Historical Narrative: Patent Scholarship

The patent scholarship tells a similar tale. As Professor Lemley explains:

[M]ost patents in the *colonies* were grants of government privilege over land or markets, not patents for invention . . . I can find no report of colonial patent lawsuits or revocation proceedings *before the American Revolution*. Instead, if a party wanted a *legislative* patent grant revoked, they petitioned the *legislature* to do so.¹⁰⁷

After the American Revolution, however, this practice changed, and the courts became the sole venue for patent invalidation.¹⁰⁸ Per Professor Lemley:

The first federal patent statute was enacted in 1790 . . . The Act provided that any party could petition *a court* to cancel a patent, but only for fraud or what we would describe today as inequitable conduct . . . Section 6 of the Act provided that a defendant suing for infringement could raise a challenge [in court] to the adequacy of the patent specification . . .¹⁰⁹

¹⁰⁶ *Murray*, 59 U.S. at 284 (emphasis added).

¹⁰⁷ Lemley, *supra* note 48, at 1692 (emphasis added).

¹⁰⁸ *Id.* at 1693.

¹⁰⁹ *Id.* (emphasis added).

Importantly, in the one recorded instance where a party sought to revoke a patent *legislatively*, the Congressional committee declined to do so, and instead referred the invalidity question to the courts:

[I]n the one reported instance of an effort to revoke a 1790 Act patent, the complainant didn't go to court at all, *in law or in equity*. Instead, *following the colonial practice*, he went to Congress, which appointed a committee in 1794 to consider whether to revoke the patent as improvidently granted. *The committee in turn referred the matter to the courts for adjudication.*¹¹⁰

From there, American patent practice evolved quickly:

[Under the 1793 Act,] the United States operated a registration system, under which anyone who filed a patent application was entitled to a patent, *the validity of which was tested (if at all) in the courts*. After 1800, federal subject matter jurisdiction was exclusive; patentees could no longer sue in state court . . . the 1790 and 1793 Acts provided federal subject matter jurisdiction *only in law, and not in equity, courts*. It wasn't until 1819 that Congress enacted federal subject matter jurisdiction over patent cases *in equity*.¹¹¹

The parallel English practice did not diverge meaningfully. By the time of the U.S. Constitution, Privy Council usage, though technically still permissible, had fallen into disuse:

The Privy Council was the primary means for revoking patents until as late as 1753 . . . [but] once the courts had the power to adjudge patent validity, *the Privy Council largely got out of the business of doing so; it last revoked a patent in 1779* . . .¹¹²

Instead, the predominant practice was, in relevant part:

The only way to actually invalidate a patent in the modern sense of the word was to bring a *scire facias* action for

¹¹⁰ *Id.* at 1693–94 (emphasis added).

¹¹¹ *Id.* at 1694 (emphasis added).

¹¹² *Id.* at 1682–84 (emphasis added).

revocation. And it was the Chancellor, not the jury, who held the final power to revoke a patent using *scire facias*. The fact that *scire facias* was a *common law* proceeding conducted in the first instance of an *equity court* meant that the distinction between legal and factual issues was more important than in the *law courts*. While *chancery courts* could and did refer validity questions to juries at *common law*, they did so only when there was a disputed issue of fact that was necessary to the resolution of the validity issue.¹¹³

Thus, both the American and English systems resolved their invalidity disputes (whether as affirmative defenses or as standalone claims) in the courts of law and equity. The colonists, conversely, received legislative rights that were legislatively revoked—a practice the new nation assertively abandoned in its first days.¹¹⁴ And although very early on patent matters could be resolved in *state* courts as well as federal courts, by 1800 the federal courts of law had exclusive jurisdiction.¹¹⁵ This fact, in conjunction with the predominant English practice by the end of the 18th Century, demonstrates that the *post-issuance* patent invalidation power belongs to the Article III courts.

E. A Brief Review of the Supreme Court's Public Rights Case Law

In *McCormick*, the Court held—relying on a bevy of constitutional separation of powers cases—that an issued patent may only be set aside by an Article III court.¹¹⁶ Patent invalidity, whether as an affirmative defense or a standalone writ, has centuries of historical antecedent both at law and equity.¹¹⁷ Further, although patent matters were resolved legislatively by the colonies, the new nation proactively determined to resolve its patent matters in the courts of law and equity.¹¹⁸ This brings patent invalidity, to the extent that *McCormick* didn't already answer the question, into

¹¹³ *Id.* at 1687 (emphasis added).

¹¹⁴ *Id.* at 1692–94.

¹¹⁵ *Id.* at 1682–84.

¹¹⁶ See generally 169 U.S. 606 (1898).

¹¹⁷ See generally *In re Lockwood*, 50 F.3d 966; Lemley, *supra* note 48,

¹¹⁸ Lemley, *supra* note 48, at 1692–94.

the core of the Article III judicial power per *Murray* (and, more recently, *Stern*).

Where the issue becomes complicated is in the resolution of “what comes next?” That is, if it is a private right, what level of Article I participation is permissible under the administrative tribunal and legislative court scenarios? Importantly, whether a case deals with an administrative tribunal or a legislative court, the private right versus public right determination is the same.¹¹⁹ Different factors apply, however, once that determination has been made—and those factors aren’t always clear, or even consistent.¹²⁰

The USPTO’s courts are administrative tribunals. Where administrative tribunals adjudicate matters of private rights (i.e., issued patent invalidity), *Crowell* and *Schor* are the applicable cases.¹²¹ Thus, in order for private right adjudication to be constitutional in an administrative tribunal setting, that adjudication must comport with the requirements of both of those cases.¹²²

In *Crowell*, the Court was asked to consider whether an administrative tribunal may adjudicate private right (in this case, admiralty) claims without violating Article III of the Constitution.¹²³ The Court held that it could, provided that the administrative tribunal and the Article III district courts were correctly aligned.¹²⁴ Specifically:

¹¹⁹ Compare, e.g., *Crowell v. Benson*, 285 U.S. 22 (1932) (administrative tribunal) with *Stern v. Marshall*, 564 U.S. 462 (2011) (legislative court).

¹²⁰ Many of these factors have been inappropriately applied to the private right versus public right question; in most instances, they supplant the *Murray* analysis altogether. The result, of course, is a loophole, not a safeguard.

¹²¹ For a comprehensive review of the Court’s public rights cases, see generally Rothwell, *supra* note 1.

¹²² Conversely, if patent invalidity is a public right, then there is nothing constitutionally infirm with the current arrangement (e.g., the PTAB). In fact, Article III supervision of Article I patent invalidation will continue for only as long as the executive and legislative branches deem it prudent.

¹²³ See generally *Crowell v. Benson*, 285 U.S. 22 (1932).

¹²⁴ *Id.* at 48–65.

- 1) Although the administrative orders were “final,” *enforcement* in the event of default required a federal district court.¹²⁵
- 2) Upon commencement of *enforcement* proceedings, the district court retained authority to review (a) legal issues and (b) fundamental (e.g., jurisdictional) facts *de novo*; other facts were reviewed under the substantial evidence standard.¹²⁶
- 3) The administrative order was only enforceable by a writ of execution entered by the district court. But for this writ, the administrative order had no legal effect.¹²⁷

Given that the district court retained the enforcement power, in addition to *de novo* review authority over questions of law, “[t]here is thus no attempt to interfere with, but rather provision is made to facilitate, the exercise by the court of its jurisdiction”¹²⁸ The Court cautioned, however:

The recognition of the *utility and convenience* of administrative agencies for the *investigation and finding of facts* . . . does not require the conclusion that there is no limitation on their use, and that the Congress could completely oust the [district] courts of all determinations of fact by vesting the authority to make them in their own instrumentalities or in the Executive Department. That would be to sap the judicial power as it exists under the Federal Constitution, and to establish a government of a bureaucratic character alien to our system, wherever fundamental rights depend, as not infrequently they do depend, upon the facts, and finality as to facts becomes in effect finality in law.¹²⁹

*Schor*¹³⁰ does not deviate meaningfully from this arrangement. Specifically, at issue in *Schor* was a private right common law

¹²⁵ *Id.* at 44.

¹²⁶ *See id.* at 44, 54–55.

¹²⁷ *Id.* at 44.

¹²⁸ 285 U.S. at 49.

¹²⁹ *Id.* at 56–57 (emphasis added).

¹³⁰ 478 U.S. 833 (1986).

claim¹³¹ before an Article I administrative tribunal. Because the administrative orders were only enforceable by a federal district court, where questions of law were reviewed *de novo*, and questions of fact were reviewed for substantial evidence, private right resolution by the administrative tribunal was not unconstitutional:

The [administrative] orders, like those of the agency in *Crowell* but unlike those of the [legislative] bankruptcy courts under the [unconstitutional] 1978 Act, are *enforceable only by order of the district court*. The [administrative] orders are also reviewed under the same ‘weight of the evidence’¹³² standard sustained in *Crowell*, rather than the more deferential standard found lacking in *Northern Pipeline*. The legal rulings of the [administrative tribunal], like the legal determinations of the agency in *Crowell*, are subject to *de novo* review.¹³³

In addition to the strict structural requirement defining the necessary constitutional interrelationship between the federal district courts and the administrative tribunal, the *Schor* Court identified other criteria.¹³⁴ For example, the consent of the parties, as well as the Congressional purpose, were important considerations.¹³⁵

The introduction of “congressional purpose”¹³⁶ further serves to safeguard the separation of powers. A purely structural limitation (i.e., district court enforcement with *de novo*–substantial evidence review) serves as a potential blueprint for the expansion of federal power. Fact-finding is a critically important element in the resolution of any dispute, and the substantial evidence standard confers significant deference to administrative tribunals. Therefore,

¹³¹ See *id.* at 853–54 for *Schor*’s favorable review (and application) of the *Murray* standard.

¹³² Issues of how weight of the evidence might differ from substantial evidence, or whether *de novo* review should apply to “fundamental” factual determinations in light of *McCormick*, are beyond the scope of this article.

¹³³ 478 U.S. at 853 (emphasis added) (citations omitted).

¹³⁴ See generally 478 U.S. 833.

¹³⁵ See, e.g., *id.* at 855.

¹³⁶ And related factors, for example, “regulatory scheme.” 478 U.S. at 855.

the *Schor* factors dissuade the proliferation of administrative tribunals as a matter of mere structural convenience—that is, if Congress seeks to delegate the fact-finding function to an adjunct of the federal district courts, it is required to have a valid “purpose” for doing so beyond the aggrandizement of federal power.

Thus, the *Schor* factors (as the opinion itself indicates) do not supplant the *Murray* rule, or otherwise call into question the structural blueprint established by *Crowell*. Instead, they introduce a second layer of review, ensuring that Congress acts for a valid public purpose when it creates a new (adjunct) administrative tribunal.

F. Unconstitutionality of Article I Patent Revocation, and How to Correct

Applying *Murray*, *McCormick*, *Am. Bell*, *Moore v. Robbins*, and *Stern*, the validity of an issued patent for intellectual property is a private right. If this conclusion is incorrect, then the structural and policy considerations of *Crowell* and *Schor* drop from the analysis, and, as a public right, Congress is more or less free to do with it as it pleases. If the private right conclusion is correct, then the USPTO’s current post-grant patent revocation scheme is unconstitutional.

In light of the structural principles articulated in *Crowell* and *Schor*, the reasons for this should be clear. Specifically:

- 1) But for an appeal from the USPTO’s patent revocation (whether by reexamination, *inter partes* review, *etc.*), the patent is cancelled by the USPTO either in whole or in part. Federal district court enforcement is not required.
- 2) Where a party appeals a determination of patent invalidity by the USPTO, the Federal Circuit, and not the federal district courts, entertains the appeal.

The structural fix is straightforward. USPTO patent invalidity determinations are recalibrated so as to receive federal district court enforcement, where questions of law are reviewed *de novo*, and questions of fact are reviewed for substantial evidence.

It is argued that Article III *appellate* review satisfies the structural limitations identified in *Crowell* and *Schor*. No decision of the Supreme Court has said this, and in this regard *Crowell* and *Schor* speak for themselves. Further, in the context of a legislative court, both the *Northern Pipeline* plurality and concurrence¹³⁷ held (constituting a majority) that Article III appellate review does not remedy the constitutional harm where legislative courts adjudicate private rights.¹³⁸

If the USPTO's post-grant revocation proceedings are recalibrated as adjuncts to the federal district courts, is the "congressional purpose" aspect of *Schor* satisfied? The answer to this question is almost undoubtedly yes. The Supreme Court's *Cuozzo* decision,¹³⁹ largely devoted to addressing questions of statutory interpretation, is replete with references to "congressional objective," "statutory scheme," "Congress[ional] purpose," and the like.¹⁴⁰ It is thus inconceivable that the Court would find this element of *Schor* unmet.

III. THE STAKES COULDN'T BE HIGHER

Without question, recalibrating the various USPTO administrative tribunals as adjuncts to the federal district courts would represent a seismic shift in the nation's patent system. The importance of *inter partes* review in patent litigation would likely

¹³⁷ See generally *Northern Pipeline Construction Co. v. Marathon Pipeline Co.*, 458 U.S. 50 (1982).

¹³⁸ The Supreme Court recently evaluated the "basic principles of institutional capacity," holding that district court review of administrative determinations of "multifarious, fleeting, special, narrow facts . . . are well suited to a district court judge's expertise." Conversely, "neat set[s] of legal rules" might be more amendable to appellate review. *McLane Co., Inc. v. E.E.O.C.*, 137 S. Ct. 1159 (2017). Compare this with, for example, the factual inquiries typically conducted during a § 103 obviousness determination: the scope and content of the prior art; differences between the prior art and the claims at issue; the level of ordinary skill in the art at the time of the invention; and objective indicia of non-obviousness. See 35 U.S.C. § 103 (2012).

¹³⁹ See generally *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016).

¹⁴⁰ See also *Supreme Court Affirms Cuozzo—Siding with Patent Office on BRI and No-Appeal*, PATENTLY-O (June 20, 2016), <https://patentlyo.com/patent/2016/06/supreme-affirms-office.html>.

drop, and patent issues would appear on federal district court dockets with greater frequency. Third party entities that developed business models around the PTAB's lack of standing requirement would also have to recalibrate. Patent litigation, in terms of its raw numbers, would likely rebound.

It is untrue, however, that re-designating patent invalidity as a private right per *Murray* and *Stern* would cause large swaths of the administrative state to fracture. Arguments of this variety amount to fearmongering, and a decision applying *Murray* concluding that patent invalidity was resolved in American and English courts of law and equity would not cause the administrative state to fracture any more than *Stern* caused the administrative state to fracture, any more than *Granfinanciera*¹⁴¹ caused the administrative state to fracture, any more than *Schor* caused the administrative state to fracture, and so forth.

This is weighed against the current and potential future harm caused by leaving the public rights designation unchanged. As the Supreme Court explained in *Stern*, public rights are administrative claims that “[C]ongress may or may not bring within the cognizance of the courts of the United States, as it may deem proper,”¹⁴² and as Judge Nies explained in her *Lockwood* dissent, “Congress could place the issue of [patent] validity *entirely* in the hands of an Article I trial court with particular expertise if it chose to do so.”¹⁴³

Consider the rapid expansion of the USPTO's adjudicatory authority since the Federal Circuit's March 7, 1985 *Patlex* decision. What likely began as a quiet, pragmatic endorsement¹⁴⁴ of the perceived benefits of the newly created *ex parte* reexamination mechanism has given way to an administrative tribunal that adjudicates *thousands* of patent invalidity disputes (with *finality*)

¹⁴¹ *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33 (1989).

¹⁴² 564 U.S. at 489.

¹⁴³ 50 F.3d at 983 (emphasis added).

¹⁴⁴ In direct contradiction to *McCormick*.

on a per year basis.¹⁴⁵ PTAB power grows by the day, and it is not particularly hyperbolic to say so.

With the public rights designation unchanged after *MCM*, Article III supervision over the PTAB remains not a matter of constitutional right, but instead a question of Congressional discretion. Given the rise of the PTAB, it is conceivable, per the “green light” provided by the Federal Circuit, that the executive and legislative branches will remove patent invalidity from the Article III courts altogether. Perhaps commentators will scoff at this notion; but such commentators are not clairvoyant, nor do they have a crystal ball—they cannot predict the composition of the next Congress, Senate, or the identity of the next President. What appears outlandish today might sound rational tomorrow; the whims of the electorate cannot be predicted.

In footnote 6 of *Stern v. Marshall*, C.J. Roberts wrote, on behalf of the majority, “*Crowell* may well have additional significance in the context of *expert administrative agencies* that oversee particular *substantive federal regimes*, but we have no occasion to and do not address those issues today.”¹⁴⁶ Those issues are now before the Court.¹⁴⁷ To be sure, the nation stands at a crossroads.

Basic to the constitutional structure established by the Framers was their recognition that “[the] accumulation of all powers, legislative, executive, and judiciary, in the same hands, whether of one, a few, or many, and whether hereditary, self-appointed, or elective, may justly be pronounced the very definition of tyranny.”

Northern Pipeline, 458 U.S. at 57 (1982) (plurality), quoting *The Federalist* No. 47, p. 300 (H. Lodge ed. 1888) (J. Madison).

¹⁴⁵ Consider, for example, *Stern*, 564 U.S. at 502–03. (“A statute may no more lawfully chip away at the authority of the Judicial Branch than it may eliminate it entirely. Slight encroachments create new boundaries from which legions of power can seek new territory to capture.”) (internal quotation marks omitted).

¹⁴⁶ 564 U.S. at 490.

¹⁴⁷ See, e.g., *Justices Want USPTO to Weigh In On PTAB Constitutionality*, LAW360 (Mar. 1, 2017), <https://www.law360.com/articles/896824/justices-want-uspto-to-weigh-in-on-ptab-constitutionality>.